JAN 13
Rachel Wolff

Retailers grapple for ways to stem the flood of returns

Article

The insight: Retailers are bracing for a post-holiday return surge.

- **Over $122 billion in merchandise has already been returned worldwide**, per Salesforce—a 28% increase YoY.
- Total returns for the holiday season are expected to rise to $133 billion.

An expensive problem: **Returns cost retailers $890 billion in 2024**, according to a report by the National Retail Federation and Happy Returns. While the annual return rate of 16.9% is similar to 2021, ecommerce's growing share of sales, rising levels of fraud, and the popularity of try-on hauls and bracketing have made reverse logistics a costly challenge.

- **15.1% of all returns in 2024 were fraudulent,** according to a report by Deloitte and Appriss Retail. Wardrobing—where customers seek refunds for used merchandise—was the top offense, followed by gift card fraud and returns of stolen goods.
- Bracketing—buying multiple sizes to return the rest—is an increasing challenge. Some 2 in 5 consumers—and 51% of Gen Zers—admit to engaging in the practice, while 73% of retailers have noted rising bracketing behavior over the past year, per the NRF and Happy Returns.

Striking a difficult balance: Many shoppers consider easy and/or free returns as a given, complicating retailers' efforts to clamp down on returns.

- **Nearly half—47%—of consumers say they avoid shopping with brands that charge for returns**, per a Narvar and Reshop survey.
- Conversely, 51% are more likely to make repeat purchases with a retailer that doesn't impose extra fees for shipping or returns.
- Return fees can also cause customers to reduce spending: 48% of retailers reported a decrease in average order value after implementing return fees, according to the NRF and Happy Returns.

That said, adopting more nuanced return policies—such as penalizing or barring serial returners, or incentivizing in-store returns—could help reduce abuse without hurting sales.

A lucrative opportunity: Some companies are hoping to benefit from retailers' booming returns problem.

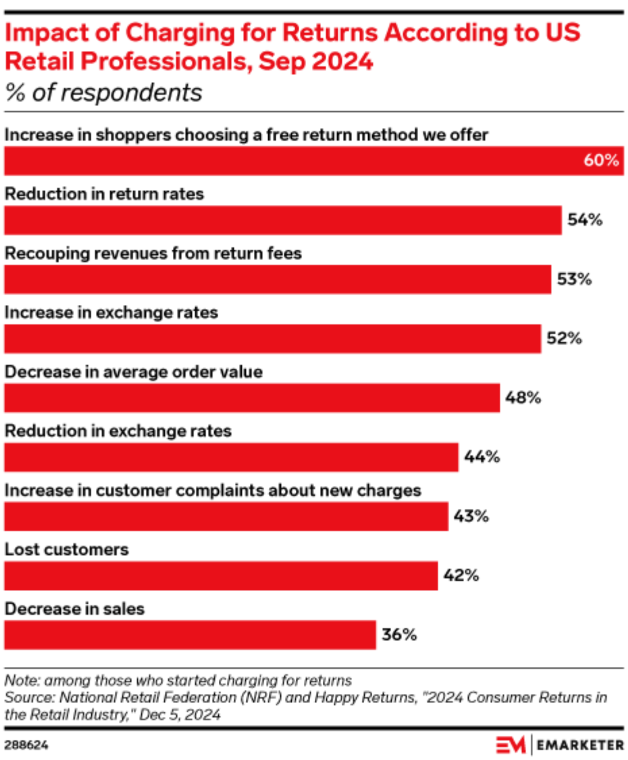
- Delivery company **DHL** purchased returns service provider **Inmar Supply Chain Solutions** to bolster its reverse logistics business, following in the footsteps of the 2023 **UPS** acquisition of Happy Returns.
- **Poshmark** partnered with **Loop** to enable shoppers to sell unreturnable items on its marketplace, after noting a sizable rise in listings labeled "missed return." Users wishing to

resell items from participating merchants can quickly generate prefilled listings with one click from the returns portal.

Looking ahead: We expect US retail returns to cross the $1 trillion mark this year, although growth will slow considerably as retailers implement more restrictive policies and ramp up fraud prevention efforts.

Beyond making it harder for shoppers to return items, retailers must also consider ways to improve the ecommerce experience and reduce practices like bracketing.

- For example, virtual try-on technologies can give shoppers a better sense of what an item will look like in-person.
- Retailers can also use AI to identify products with high return rates, and give shoppers recommendations about which sizes will work best based on previous purchase behavior and customer reviews.



This article is part of EMARKETER's client-only subscription Briefings—daily newsletters authored by industry analysts who are experts in marketing, advertising, media, and tech trends. To help you finish 2024 strong, and start 2025 off on the right foot, articles like this *one—delivering the latest news and insights—are completely free through January 31, 2025. If you want to learn how to get insights like these delivered to your inbox every day, and get access to our data-driven forecasts, reports, and industry benchmarks, [schedule a demo with our sales team](#).*